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DE RUEHKO #5820 2790425
ZNY CCCCC ZZH
P 060425Z OCT 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 7141
INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION PRIORITY
RUEHFK/AMCONSUL FUKUOKA PRIORITY 8332
RUEHNH/AMCONSUL NAHA PRIORITY 0877
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 1697
RUEHKS/AMCONSUL SAPPORO PRIORITY 9412
RUEATRS/TREASURY DEPT WASHDC PRIORITY

C O N F I D E N T I A L TOKYO 005820

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USTR FOR AUSTER CUTLER AND DAUSTR BEEMAN

E.O. 12958: DECL: 10/05/2016
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SUBJECT: EB DAS MOORE COVERS ECONOMIC AGENDA AT FINANCE
MINISTRY

REF: TOKYO 05773

Classified By: CDA Joseph Donovan, for reasons 1.4 (B) and (D).

11. (C) Summary: EB DAS Chris Moore covered a range of issues with Ministry of Finance Senior Deputy Director General Rintaro Tamaki, including Central Asia, the recent G-7 and IMF meetings, the economic priorities of the new Abe administration, and possibilities for ongoing U.S.-Japan dialogue on economic cooperation. DAS Moore's other meetings in Tokyo will be covered septels. End summary.

12. (C) At the Finance Ministry on September 21st, Senior Deputy Director General Rintaro Tamaki and DAS Moore discussed the outcome of the recent G-7 and IMF/World Bank meetings in Singapore, which both agreed had seen progress. Moore noted the successful roundtable discussions the United States hosted in Singapore with Pakistan and Kazakhstan, and encouraged Japan to play a vital role in international efforts to promote development in the western border region of Pakistan and to foster regional integration in Central Asia. Tamaki expressed particular interest in Central Asia, noting former Prime Minister Koizumi's visit there. He asked about the State Department-Treasury Department balance of responsibility on both Afghanistan reconstruction and Central Asian economic integration. Moore confirmed the Administration's strong interest in both areas and highlighted State's cooperative work with Treasury and other agencies. On the State Department's role in Liberia, Moore noted the tremendous amount of goodwill for the West African country on display in Singapore. Moore added that for Liberia and other countries to emerge from years of difficulty, they needed sustained peace and stability and the continued assistance of the global community, including Japan.

13. (SBU) Asked about the economic priorities of the Abe administration, Tamaki said that the incoming prime minister was primarily interested in social stability and Japan's aging society. While affirming that fiscal consolidation was on track and that a spirit of reform was imbued within the bureaucracy, Tamaki said that Abe would need to mobilize all available measures to increase Japan's birthrate -- this would be critical to ensuring pension system sustainability and "fundamental" to correcting Japan's demographic and fiscal problems. Tamaki also mentioned Abe's interest in employment issues, including reducing poverty and unemployment by stimulating job re-training programs. Meanwhile, to stem Japan's mounting red

ink, Tamaki said that the consumption tax was the most important "pillar" on the revenue side.

14. (C) Moore stressed the need for continued dialogue on the two countries' economic agenda. The United States remained very interested in Japan's efforts on postal privatization, among others, and stressed the need for a level playing field before advancing with privatization. Tamaki mused about Treasury Secretary Paulson's recent talks with China, which prompted Tamaki to recall the yen-dollar talks of the 1980s. The MOF official praised current U.S.-Japan communications as being at a level two or three times higher than Sino-U.S. discussions. Regarding the status of tax treatment of triangular mergers, Tamaki said that the Ministry of Finance tax office would solve the problem by spring, and that the chief problem was not with U.S. firms, but with their European counterparts. EB DAS Moore has cleared this cable.
DONOVAN